

GOVERNANCE PRINCIPLES WEST MARINE, INC.

The following governance principles have been adopted by the Board of Directors (the "Board") of West Marine, Inc. (the "Company"). In conjunction with the charters of the Board's various committees, these principles are intended to provide guidelines for the governance of the Company and to help the Board fulfill its responsibilities to Stockholders. These practices are memorialized in the guidelines below so that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations, as appropriate, and to make decisions that are independent of the Company's management. The Board recognizes that maintaining good governance practices is an ongoing process, and the Board may periodically review and modify or supplement these principles to reflect appropriate changes in governance standards and practices.

1. Role of the Board of Directors

The Board is elected by the Company's Stockholders to oversee that the interests of the Company's Stockholders are being served, to review and advise the Company's senior management, and to help the Company achieve its business and organizational goals. In fulfilling these roles, each director must act in what he or she reasonably believes to be in the best interests of the Company and its Stockholders and must exercise his or her business judgment. The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company.

The Company's business and operations are conducted by and through the Company's Chief Executive Officer ("CEO"), other "Executive Officers" (as such term is defined below) and Associates acting under the direction of the Executive Officers, subject to the ultimate oversight and authority of the Board. For purposes of these governance principles, the term Executive Officers means, collectively with the CEO, other Company officers defined under Rule 16a-1 of the Securities and Exchange Act of 1934, as amended (the "Act").

In discharging its responsibilities, the Board represents and acts on behalf of the Company's Stockholders, although both the Board and Company Executive Officers and other senior management recognize that the interests of Stockholders may be advanced by responsibly addressing the concerns of other stakeholders and interested parties, including the Company's Associates, Customers, suppliers and creditors.

In discharging its duties, the Board may delegate some of its responsibilities to the committees of the Board ("Committees").

2. Functions of the Board of Directors

The Board has four scheduled regular meetings a year at which it reviews and discusses reports by the CEO and other senior management on the Company's business, operations, plans and prospects, as well as on any other significant issues facing the Company or affecting its business or operating units. In addition, the Board may hold special meetings throughout the year.

Each director is expected to prepare his/herself for, attend and participate in – either in person or by means of telephonic or video conference – all scheduled Board meetings and meetings of Board Committees on which such director is a member, except where failure to attend is due to an unavoidable conflict, medical issues/illness, family emergencies or other valid excuse.

Working with the CEO, the General Counsel and the VP of Human Resources, as applicable, the Board Chair establishes the agenda for each Board meeting, including, the agenda for executive sessions of the Board. The Chair of each standing Committee establishes the agenda for each Committee meeting. Board members are encouraged to suggest the inclusion of additional items on an agenda, and any director may request that an item be placed on an agenda.

Appropriate time will be allotted for Board and Committee member questions and input at each meeting. Information and materials will be distributed in advance of each Board and Committee meeting where important to the Board's or the Committee's understanding of the issues to be discussed at such meetings or to facilitate discussion. Directors are expected to review such materials prior to the meeting.

All meetings and deliberations of the Board and its Committees shall be confidential. Each director must maintain confidentiality of information throughout and after service as a director. If any disclosure is mandated by law, directors must inform the Board and the General Counsel of their actions.

In addition to its general oversight of Executive Officers, the Board also performs a number of specific functions as outlined in this Governance Principles (certain of which are performed by Board Committees), consistent with principles of good governance as practiced by other public companies that are reasonably comparable to the Company and consistent with the applicable requirements of law, regulation or stock exchange requirements.

3. Board Selection and Composition

Board Size. The Board believes that, based on the historical size of the Company and the need for diverse views, the size of the Board should be in the range of six to eleven directors. The Board's Nomination and Governance Committee periodically reviews the Board's size and makes recommendations to the Board as to the most effective Board size reflecting an appropriate balance of diverse, experienced and seasoned advisors. Board member's each serve a one year term and may stand for re-election annually if nominated.

Board Composition and Selection. Directors may be nominated by the Board or by the Stockholders and are elected each year by the Company's Stockholders at the annual meeting of Stockholders.

The Nomination and Governance Committee is responsible for the identification, screening, and recommendation of qualified director candidates to the Board. In considering possible candidates for election as a director, the Nomination and Governance Committee is guided by the following general principles: (1) each director should be an individual of high character and integrity in their personal and professional life; (2) each director should have experience that is of particular relevance to the Company; (3) each director should be committed to overseeing and fostering sound, long-term growth and has previously demonstrated the exercise of good business judgment; and (4) each director should have the ability and willingness to devote the necessary amount of time to the affairs of the Company in his or her capacity as a director, including attendance at Board meetings, committee meetings, and Annual Stockholder Meetings. The Nomination and Governance Committee also evaluates, on an ongoing basis, all directors and director candidates based on specific criteria established by the Board from time to time including, without limitation, a director's experience with businesses and other organizations of comparable size and industry sector, the interplay of the candidate's experience with the experience of other Board members, financial literacy, boating experience, special talents or personal attributes, the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board, independence, skills, expertise and corporate experience, the current composition of the Board, the balance of management and independent directors and the needs for any Committee expertise are considered. Although the Nomination and Governance Committee does not have a formal diversity policy, it believes that diversity (including factors such as race, ethnicity, gender, age and geographic orientation, as well as diversity of opinions, perspectives, and professional and personal experience) is an important factor in determining the composition of the Board.

When considering a current director for re-nomination as a director, the Nomination and Governance Committee also will consider, among other factors, the attendance, preparedness, participation and candor of the individual, length of service, as well as the individual's recent service as a director in light of the selection criteria outlined above.

The Nomination and Governance Committee also will consider recommendations by Stockholders sent to the Company's Secretary following the procedures described in the Company's Bylaws. Such nominees are evaluated in the same manner as any other nominee for director.

Mix of Management and Independent Directors. The Board believes that as a matter of policy, there should be at least a majority (or more) of independent directors as defined under NASDAQ listing standards, SEC rules and other applicable law. For a nominee to be considered an independent director, the Board must affirmatively determine that the director has no material relationship with the Company. Directors who are officers or employees of the Company are considered management directors. All members of the Board's Audit and Finance Committee, Nomination and Governance Committee, Compensation and Leadership Development Committee, and other newly-created Committees, including temporary, ad hoc Committees, are and will continue to be independent of management, meeting the then applicable independence criteria as set forth by applicable NASDAQ listing standards, SEC rules and other applicable law. The Board will take valid actions to fill as soon as reasonably practicable, temporary vacancies on the Board, including vacancies resulting in fewer than the intended proportion of independent directors.

Director Election Vote Response. At any meeting of the Stockholders at which a director does not receive a majority of the votes cast in accordance with the Bylaws, that director is required to submit to the Board an offer letter of resignation, subject to Board acceptance. The Nomination and Governance Committee will consider the offer of resignation and will recommend to the Board the action to be taken. The Board shall act promptly with respect to each such letter of resignation, shall promptly notify the director concerned of its decision and disclose publicly (by a press release, a filing with the SEC or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision.

Board Committees. The purpose of Board Committees is to help the Board effectively and efficiently fulfill its responsibilities, although the Board Committees do not displace the oversight responsibilities of the Board as a whole. Committees will report the results of their significant activities to the full Board or make recommendations to the full Board, as appropriate.

The Board has established three standing Committees, an Audit and Finance Committee, a Compensation and Leadership Development Committee, and a Nomination and Governance Committee. The Board also may, from time to time, establish or maintain additional Committees as it deems appropriate and in the best interests of the Company including, without limitation, ad hoc Committees, which may be limited in duration and scope of responsibilities. The Board has established a temporary ad hoc Strategic Committee as described below.

Each Committee is chaired by an independent director responsible for leading Committee meetings, establishing agendas, determining the frequency and length of the Committee meetings and reporting all relevant activities to the Board, consistent with any requirements set forth in the Committee's charter or Board resolutions, as applicable. Each of the existing standing Committees has a charter and ad hoc Committees, in lieu of a charter, may have specific powers and authority delegated from the Board which are set forth in resolutions adopted by the Board. Such charters and/or resolutions set forth such Committee's purposes, goals and responsibilities, the necessary qualifications of its members, membership requirements, the procedures for Committee member appointment and removal, Committee structure and operations, and reporting procedures to the Board. Only independent directors may serve on standing Committees and the make-up of any ad hoc Committees will be determined by the Board as the circumstances warrant.

Standing Committee members and the Board Chair are recommended by the Nomination and Governance Committee and appointed by the Board.. While the rotation of Committee members and the Board Chair is not required, rotation is periodically considered with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

Standing Committees:

The Audit and Finance Committee, comprised of independent directors who are financially literate, assists the Board in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, the independent registered public accounting firm's qualifications and independence, the performance of the Company's independent registered public accounting firm and internal auditor(s), and such other matters as forth in the Audit and Finance Committee charter.

The Compensation and Leadership Development Committee generally provides oversight of the Company's overall compensation plans, policies and programs, including those for Executive Officers and Board of Directors, to advise senior management on policy and strategy regarding leadership development and succession plans, initiatives and programs, and to handle such other matters as forth in the Compensation and Leadership Development Committee charter.

The Nomination and Governance Committee generally identifies qualified individuals to become Board members, assists with the determination of Board and Committee composition, monitors a process to assess Board effectiveness, develops, implements the Company's governance guidelines, oversees Board and Executive Officer service on outside boards, oversees the Company's political contributions and governmental activity policy, and handles such other matters as forth in the Nomination and Governance Committee charter.

Ad Hoc Committees:

The Strategic Committee, comprised of independent directors, generally reviews and evaluates strategic alternatives to advance the Company's programs and enhance stockholder value which may include, but shall not be limited to possible acquisitions, mergers, one or more collaboration transactions outside of the ordinary course of business or any combination thereof and will make recommendations to the entire Board with respect thereto.

Each Committee also oversees specific risks related to its area of responsibility.

As set forth under the Company's Bylaws, the Board may establish additional committees or dissolve existing Committees from time to time as it deems necessary depending on the circumstances. In addition, the Board is responsible, after consultation with the Board Chair and the recommendations of the Nomination and Governance Committee, and with consideration of the desires of individual Board members, for the assignment of particular directors to the Board's Committees.

Limitation on Outside Board Service. By policy, Executives Officers and directors must advise the Chair of, and obtain approval from, the Nomination and Governance Committee in advance of accepting an invitation to serve on another public company "for profit" board. Additionally, in the event an Audit and Finance Committee member serves on

the audit committee of more than three public companies, the Board must make a determination that the simultaneous service would not impair the ability of such member to effectively serve on the Audit and Finance Committee and disclose such determination in the annual proxy statement. Neither the CEO nor any other Executive Officer may not serve on the board or compensation committee of a company that concurrently employs another member of the Company's Board. Service on boards and/or committees of other organizations are required to be consistent with the Company's *Code of Ethics-Living Our Values, Policy on Board Members Serving on Outside Boards, and Policy on Executives Serving on Outside Boards*. Neither a director nor an Executive Officer may serve on a board of a Company competitor. Additionally, neither a director nor an Executive Officer may act as a consultant or provide other services to a vendor, competitor, potential competitor or a company with a potential competitive line of products without bringing it to the attention of the Chair of the Nomination and Governance Committee, the Board Chair or the Company's General Counsel, to determine if the engagement creates a conflict of interest. Nomination and Governance Committee considers these matters when evaluating and nominating directors for reelection.

Mandatory Retirement or Term Limits. The Board does not believe it should establish mandatory retirement or term limits. While these could help ensure that there are fresh ideas and viewpoints available to the Board, they hold a disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations, and therefore, provide an increasing contribution to the Board as a whole. The Board periodically will review director tenure and term limits in connection with its procedures for the selection and nomination of directors to ensure the presence of diverse viewpoints and ideas on the Board that would benefit the Company.

Annual Terms (No Staggered Terms/Classified Board). Each director is elected for a one year term as opposed to a staggered election of directors.

Changes in Job Responsibility or Personal Circumstances. In the event a director experiences a significant change in his or her personal circumstances, including a change in primary employment or occupation, or circumstances that would result in the director no longer being considered independent or that could reasonably be expected to adversely affect the director's service on the Board or the Company's business or reputation, that director must immediately notify the Chair of the Nomination and Governance Committee and the Nomination and Governance Committee will make a recommendation to the Board as to the appropriate action, if any, to be taken with respect to such director. However, the Board does not believe that in every instance the director who experiences a change in employment, occupation or personal circumstances from that they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nomination and Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

Resignation or Refusal to Stand for Re-Election. Directors who intend to resign or not stand for re-election at the Company's Annual Stockholder Meeting are required to notify the Board prior to the meeting. The director shall offer a letter of resignation to the Board, which will then be reviewed and approved by the Board.

Board Response to Majority-Supported Stockholder Proposals. In discharging its responsibilities, the Board will carefully consider vote recommendations with respect to majority-supported Stockholder proposals and either take action based on such proposal or disclose in the Company's proxy statement the Board's rationale for less than full implementation, including why the Board believes the determination it chose is in the best interest of the Company's Stockholders and its engagement with Stockholders.

4. Executive Sessions of Independent Directors

The Board's independent directors meet periodically in executive session without Company management present, no less than twice a year, and usually in conjunction with regularly scheduled board meetings. These independent directors may adopt such procedures as they deem appropriate for executive session meetings. In this regard, the Board's independent Chair presides over such executive session meetings and has authority to call meetings, set the agenda for and lead the executive sessions of the independent directors, and discharge such other functions as the Board may direct, including, but not limited to, serving as a liaison between the CEO and the independent directors, having the authority to call meetings of the independent directors, briefing the CEO on issues that arise in executive session meetings and being available for consultation and direct communication with the Company's major Stockholders. The independent directors may meet without management present at times as such directors may determine.

5. Board Access to Management

Board members have complete access to the Company's management. It is assumed that Board members will use judgment to ensure that contacts with management outside of Board meetings are not unduly disruptive to the business operations of the Company.

Management presentations are encouraged to provide directors with additional insight into the Company's business and operations. The Board encourages the CEO to have Executive Officers and other members of senior management attend Board meetings from time to time in order to:

- provide management's insights into items being discussed by the Board;
- make presentations to the Board; and
- introduce to the Board those individuals with high potential.

6. Stockholder Access to Board.

Stockholders may communicate governance matters directly to the Board by sending email to bod@westmarine.com. Communications will be received by the Company's General Counsel's Office. Such communication will be handled in accordance with the Company's *Internal Process for Handling Communications to Directors (non-Audit and Finance Committee)*.

7. Chief Executive Officer Evaluation

The Board, with assistance from and/or acting through the Chair and the Compensation and Leadership Development Committee, has adopted guidelines for the evaluation of the CEO's performance and performs such evaluation annually. Pursuant to these guidelines, the CEO's performance is reviewed every year against clearly-defined criteria, objectives and expectations which include, without limitation, the Company's overall achievement of financial results, progress on implementing the Company's long-term strategy and other goals established by the Board, and the development of management and other matters deemed pertinent to performance. Progress toward these goals are reviewed throughout the year by the Board.

The CEO's performance evaluation is participatory in nature, involving individual and collective feedback from the CEO, members of the Board and the CEO's direct reports, and is facilitated by the Board Chair, with ultimate oversight by the Compensation and Leadership Development Committee and the Board. The Board Chair reviews the evaluation with the Board and then the full Board reviews the performance evaluation with the CEO. The results of this evaluation will be taken into consideration when determining the CEO's annual compensation.

8. Leadership Development and Succession Planning

Management Development and Succession Planning

The Compensation and Leadership Development Committee is responsible for reviewing and approving the Company's leadership development initiatives and programs, including standards for assessment of individual development activities and progress, as well as advise senior management on strategy regarding succession planning and the attraction and retention of the Company's Executive Officers and other management teams. To assist the Compensation and Leadership Committee, the CEO periodically may provide the Committee with an assessment of the Executive Officers and other senior management and their succession potential. At the request of the Compensation and Leadership Committee and/or the Board, the CEO also may provide the Committee with an assessment of persons considered potential successors to certain executive management positions, including a review of any development plans recommended for such individuals. The results of such reviews are to be reported to and discussed with the Board.

CEO Succession Planning

Additionally, the Compensation and Leadership Development Committee is responsible for the succession planning of the CEO (including an emergency succession plan) and periodically reviews this plan, including identification of potential successors to the position. In this regard, the CEO is expected to have in place at all times a confidential written procedure for the timely and efficient transfer of his or her responsibilities in the event of his or her sudden incapacitation or departure, including recommendations for longer-term succession arrangements. The CEO and/or the Committee will review the CEO succession plan periodically with the Board.

Board Refresh and Succession

The Nomination and Governance Committee regularly evaluates Board succession planning, including Board refreshment practices and leadership structure. This process ensures that the Board and its Committees include the right balance of tenured directors, who provide continuity and historical perspective, and new directors, who bring a fresh perspective and the generation of new ideas and business strategies. The Nomination and Governance Committee's succession planning process is on-going and throughout the year, the Committee strives to maintain a continuous pipeline of highly qualified director candidates with particular attributes, experience and skills designed to enhance the Board's effectiveness and to achieve the Company's business objectives. The Committee also evaluates the need for changes to Board and Committee composition, based on an analysis of skills and experience necessary for the Company and particular expertise relevant to the Committee oversight role, as well as the results of an independent board evaluation. Also see "*Board and Committee Self Assessments*" below.

9. Executive and Board Compensation

The Compensation and Leadership Development Committee has responsibility for the oversight of the Company's compensation policies, plans and benefit programs, including compensation of Executive Officers and other senior management ("Compensation Programs"). Such Compensation Programs are designed to create a performance-driven environment and to attract and retain senior management whose abilities are critical to the Company's long-term success and competitiveness. In reviewing the Company's Compensation Programs, the Committee may consult with independent compensation consultants as well as take into account industry, locality and peer group norms, pay-for-performance standards and hiring and retention needs. The Compensation and Leadership Development Committee annually reviews and approves the Compensation Programs for senior management. The Board annually submits the Compensation Programs for Executive Officers for Stockholder approval on an advisory basis.

The Compensation and Leadership Development Committee also has the responsibility for recommending to the Board compensation and benefits for independent directors. In discharging this duty, the Committee is guided by three goals: (1) compensation should fairly pay directors for work required; (2) compensation should align directors' interests with the interests of Stockholders; and (3) the structure of the compensation should be simple, transparent and easy for Stockholders to understand. The Compensation and Leadership Development Committee will periodically review independent director compensation and benefits.

10. Stock Ownership by Senior Officers and Directors

The Board believes that Company officers at the Senior Vice President level and above ("Senior Officers"), as well as directors, should be Stockholders with a financial stake in the Company. Equity compensation is designed to align director and Senior Officer interests with Stockholders' value. The Board also believes that each director and each Senior Officer should develop a meaningful ownership position in the Company over time. In furtherance of this belief, independent directors and Senior Officers are provided equity awards as part of their overall respective compensation packages, and the Board has established a *Stock Ownership and Retention Policy* for directors and Senior Officers.

11. Clawback Policy

The Compensation and Leadership Development Committee adopted a *Policy Regarding Repayment or Forfeiture of Certain Compensation* (the "Clawback Policy") to increase incentives to the Company's Executive Officers to take full account of risks to the Company and its Stockholders in their decision-making, and to reduce such risks wherever practicable. Under the *Clawback Policy*, in the event there is a material restatement of all or a portion of the Company's financial statements (other than a restatement due to a change in financial accounting rules), the Compensation and Leadership Development Committee will, in its discretion, refer the matter and its recommendation as to an appropriate remedy to the full Board for consideration. The Compensation and Leadership Development Committee and the Board may require recovery of certain performance-based compensation paid to the Executive Officers as set forth in the *Clawback Policy*. Before the Committee or the Board determines to seek recovery pursuant to the *Clawback Policy*, the Executive Officer(s) will be given the opportunity to be heard at a Committee meeting. In its discretion, the Compensation and Leadership Development Committee or the Board may also decline to seek recovery under the *Clawback Policy*.

12. Risk Management

While the Board is primarily responsible for overseeing our risk management processes, our Company's management is responsible for day-to-day risk management processes, focusing on the most significant risks facing our Company, particularly those affecting the achievement of our long-term strategies and objectives, while ensuring that risks undertaken by our Company are consistent with our risk appetite. In overseeing risk management, our Board receives and reviews periodic reports from management, auditors, and legal counsel, and the Board exercises its oversight responsibilities with respect to strategic, operational, financial and competitive risks, as well as risks related to the planning for succession of our Chief Executive Officer. The Board has delegated responsibility for the oversight of specific risks to the Board's committees as follows: the Audit and Finance Committee discusses with management and the independent auditor significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; the Compensation and Leadership Development Committee is responsible for ensuring that compensation policies and programs do not encourage our Associates to take unnecessary and excessive risks that could threaten our long-term value; and our Nomination and Governance Committee oversees risks related to corporate governance matters and coordinates risk oversight activities for each of the Committees. We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company and that our Board leadership structure supports this approach.

13. Access to Independent Advisors

The Board and its Committees have the right to retain such independent advisors, including legal counsel, accountants, investment bankers, financial advisors or such other consultants as the Board or any Committee deems necessary or appropriate to discharge its responsibilities. The Company provides appropriate funding, as determined by the Board or any Committee, to compensate such independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its Committees in carrying out their duties.

14. Board and Committee Self-Assessments

To ensure that we evaluate whether our Board and Committee composition needs to change as our business changes, annually all Board and Committee members are asked to reply to an anonymous assessment of the Board's and each Committee's performance. The results are discussed with the full Board and with each Committee, as applicable. Each assessment includes a review of any areas in which the Board and each Committee believes it can make a better contribution to the governance of the Company. The purpose of the review is to assess the experience, skills, qualifications, contributions, effectiveness, and overall performance of the Board and each Committee, identify improvement opportunities and enhance individual director contributions to the Board, to the Committees and to the Company's management. In addition, the Board Chair will augment the evaluation process by seeking peer feedback on Board members through an interview with each director, after which the Board Chair will report any concerns raised to the Nomination and Governance Committee, as appropriate, and separately or with the Nomination and Governance Committee Chair, discuss this feedback with each director, as applicable. The Nomination and Governance Committee may utilize the results of the Board and Committee evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and/or for Committee appointment.

15. Board Orientation and Continuing Education

Each new director will be given an orientation with respect to his or her roles and responsibilities as a director and will be provided copies of these *Governance Principles* and other Company information and background materials with respect to the Company, its business and issues of particular significance to the Company. Additionally, each new director may meet with other members of the Board and with the Company's Executive Officers and other senior management in order that the new member can become familiar with the Company's business, operations, strategic plans, financial statements and key policies and practices. This orientation should commence as soon as practicable after the new Board member is elected and in accordance with the Company's *New Director Orientation Program*, as revised from time to time. In addition, the Company may provide Board members with presentations from Company and/or third party experts on topics that will assist Board members in carrying out their responsibilities. All members of the Company's Board of Directors are encouraged to attend director education programs in accordance with the *Director Continuing Education Policy* as they deem appropriate (given their individual experiential backgrounds) to stay abreast of developments in corporate governance and "best practices" relevant to their contribution to the Board generally as well as to their responsibilities in their specific committee assignments and other roles. The Board also encourages and may make recommendations and/or arrangements for Board members to attend accredited third party training programs for directors.

16. Executive Leadership and Culture

The Nomination and Governance Committee reviews the Company's executive leadership style and culture with the goal that the Company continues to develop and promote styles and cultural behavior patterns that enhance the Company's dedication to the pursuit of ethical business practices in its business operations. To foster this culture, the CEO and other Executive Officers are responsible for:

- producing, under the oversight of the Board and the Audit and Finance Committee, financial statements that fairly present the Company's financial condition, results of operations, cash flows and related risks in a clear and understandable way, for making timely and complete disclosures to investors, and for keeping the Board and the appropriate committees of the Board well-informed on a timely basis as to all matters of significance to the Company;
- developing and presenting to the Board the Company's strategic and operating plans and annual budgets and for implementing those plans as approved by the Board;
- selecting qualified members of management and for implementing and working within an effective organizational structure appropriate for the Company's particular circumstances;
- setting a "tone at the top" of integrity, ethics and compliance on the part of all persons associated with the Company, with applicable legal requirements and with the Company's policies and standards;
- developing, implementing and monitoring an effective system of internal control over financial reporting and procedures to provide reasonable assurance that the Company's transactions are properly authorized, recorded and reported; and
- establishing, maintaining and evaluating the Company's disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports filed by it under the Act is recorded, processed, summarized and reported within the time periods specified in accordance with applicable SEC rules.

17. Separation of Board Chair and Chief Executive Officer Positions

The Board, by policy and the Company's Bylaws, has determined that the role of the Board Chair and the Chief Executive Officer should be held by two different persons, as having separate persons filling such roles best fulfills the Board's duties and responsibilities with respect to oversight of management and the direction and operations of the Company.

18. Ethics and Conflicts of Interest

The Board expects directors and Associates to act ethically at all times and to acknowledge their adherence to Company policies including, without limitation, the Company's *Code of Ethics-Living Our Values*, *Whistleblower Policy and Procedures*, *Service on Outside Boards Policy*, and *Corporate Political Contributions and Government Activity Policy*. The Company does not and will not make any personal loans or extensions of credit to directors or Executive Officers. Additionally, all related party transactions with directors and Executive Officers must be approved by the Audit and Finance Committee in accordance with the *Related Party Transaction Policy*. Independent directors may not provide personal services for compensation to the Company, other than in connection with serving as a Company director.

19. Periodic Review of Governance Principles

The Nomination and Governance Committee periodically reviews these principles and monitors and evaluates other governance guidelines that may merit consideration by the full Board. Recognizing that "best practices" for corporate boards of directors may change over time, the Board may amend these governance principles from time to time, as it deems appropriate.

**Updated & Approved for Recommendation to the Board by the Nomination and Governance Committee:
November 29, 2016**
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